Voluntary health insurance and health care reforms

Sarah Thomson
Senior Research Fellow, European Observatory
Deputy Director, LSE Health

IMF conference, Paris, 21\textsuperscript{st} June 2011
Health financing policy goals

- promote protection against financial risk
- distribute the burden of funding the system relative to individual capacity to contribute
- distribute health services (by distributing system resources) in relation to need
- promote efficiency (in organisation, service delivery, administrative arrangements)
- promote quality
- be transparent, understandable, accountable

Source: WHO/Kutzin 2008
http://www.euro.who.int/__data/assets/pdf_file/0004/78871/E91422.pdf
How to lower public spending and improve efficiency?

- or: how can we ensure a good return from public health care expenditure (growth)?

- it is difficult to increase out of pocket payments (OOP) without undermining policy goals

- could VHI help to relieve pressure on public budgets and contribute to policy goals?
### What role for VHI?

<table>
<thead>
<tr>
<th>Market driver</th>
<th>VHI role</th>
<th>VHI covers</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>coverage breadth</td>
<td>substitutive</td>
<td>groups excluded or opting out</td>
<td>Germany, Chile, NL pre-2006</td>
</tr>
<tr>
<td>coverage scope</td>
<td>complementary</td>
<td>excluded services</td>
<td>Canada, NL, Hungary</td>
</tr>
<tr>
<td></td>
<td>(services)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>coverage depth</td>
<td>complementary</td>
<td>statutory user charges</td>
<td>France, Latvia, Slovenia</td>
</tr>
<tr>
<td></td>
<td>(user charges)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>consumer satisfaction</td>
<td>supplementary</td>
<td>faster access &amp; consumer choice</td>
<td>Ireland, Poland, UK</td>
</tr>
</tbody>
</table>

**Gaps in statutory coverage create space for VHI – but are not sufficient for market development**
Large VHI markets globally

countries in which VHI = >10% of total health spending, 2009

are few and far between...
VHI & OOP as % of total health spending in the EU (2009)

Mainly complementary cover of user charges

Mainly substitutive

Mainly supplementary but some complementary
% population covered by VHI in the EU (2008)

Mainly complementary cover of user charges

Source: Thomson and Mossialos 2009
A role for substitutive VHI?

Requirements
- careful design to avoid undermining value in public spending: exclusion better than opting out
- regulation for affordable access to VHI
- monitoring and political will

Risks
- risk segmentation
- cross-subsidies from public to private
- inadequate financial protection
- equity concerns (access to care)
- EU legal challenges

Most substitutive VHI markets in the EU have been abolished due to expanded statutory coverage
## Risk segmentation and differences in health care use in Germany

<table>
<thead>
<tr>
<th>Prevalence of:</th>
<th>Public plan</th>
<th>VHI</th>
</tr>
</thead>
<tbody>
<tr>
<td>People aged 65+</td>
<td>22%</td>
<td>11%</td>
</tr>
<tr>
<td>Chronic disease*</td>
<td>23%</td>
<td>11%</td>
</tr>
<tr>
<td>Self-reported poor health*</td>
<td>21%</td>
<td>9%</td>
</tr>
<tr>
<td>GP contact*</td>
<td>81%</td>
<td>55%</td>
</tr>
<tr>
<td>Specialist contact (outpatient)</td>
<td>47%</td>
<td>45%</td>
</tr>
<tr>
<td>Difficulty paying for outpatient Rx*</td>
<td>26%</td>
<td>7%</td>
</tr>
<tr>
<td>Waiting time for gastroscopy</td>
<td>36 days</td>
<td>12 days</td>
</tr>
</tbody>
</table>

*Statistically significant after controlling for differences in age, gender and income

A role for complementary VHI covering user charges?

Requirements

- high statutory user charges (often coinsurance)
- regulation for affordable access to VHI
- careful design to avoid undermining value in public spending

Risks

- inadequate financial protection in statutory system
- equity concerns: access to care, regressivity, financial protection
- labour market costs?
- EU legal challenges

As in substitutive markets: regulation has intensified over time
If VHI is to contribute to health financing policy goals...

- there must be a **strategy** for the market
- strategy and policy design should ensure **complementarity** with statutory coverage and avoid cross-subsidies from public to private
- otherwise VHI will not relieve pressure on public budgets and may undermine value in public spending
- the larger the market, the larger the **challenges** and the need for careful **regulation**
- if VHI is not **accessible** and **affordable** to those who need it, it is of limited use to health policy makers